



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager or Electric Utility Director to Close Energy Positions in Accordance with the City of Lodi Energy Risk Management Policies and Approval of the Energy Risk Oversight Committee (EUD)

MEETING DATE: July 7, 2010

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager or Electric Utility Director to close energy positions in accordance with the City of Lodi Energy Risk Management Policies (ERMP) and approval of the Energy Risk Oversight Committee (EROC).

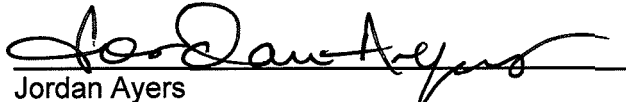
BACKGROUND INFORMATION: For any open position (energy and capacity not fully procured or hedged in advance), EUD faces risk, since prices move in the wholesale energy markets and, at times, move rapidly and unexpectedly. To reduce price risk, EUD's open position can be reduced by transactions that fix costs. By Resolutions 2007-234 and 2008-155, the City Council authorized certain purchases to reduce the EUD open position through June 2011 and March 2012, respectively.

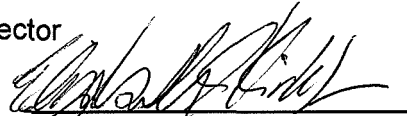
Risk is managed further by filling the needs in stages over time, in different energy market environments. The EROC sets Laddering Guidelines, pursuant to the ERMP adopted by the City Council on January 18, 2006. Attachment 1 shows the Laddering Guidelines now in use. As outlined in the ERMP, the EROC reviews proposed transactions and purchasing strategies and ensures that proposed transactions conform to the accepted types of transactions detailed in the ERMP. EROC is responsible to ensure that business is conducted in accordance with the ERMP and established risk limits. Purchases are made with the advice and assistance of the Northern California Power Agency.

The Risk Management Laddering Guidelines call for electricity and fuel purchases that are beyond the scope of the previous authorizations cited above.

FISCAL IMPACT: Indeterminate. If authorization is not given for advance purchases, such purchases will be made in spot markets, and the cost difference cannot be predicted.

FUNDING: Included in Electric Fund Account 160642, in the fiscal year of energy delivery


Jordan Ayers
Deputy City Manager/Internal Services Director


Elizabeth A. Kirkley
Electric Utility Director

PREPARED BY: Ken Weisel, Assistant Electric Utility Director
EAK/KAW/1st

APPROVED:


Konradt Bartlam, Interim City Manager

In use as of July 7, 2010

ATTACHMENT 1

CITY OF LODI ELECTRIC UTILITY DEPARTMENT
ENERGY RISK MANAGEMENT
LADDERING GUIDELINES

Fiscal Year	Maximum Open Position
Current	10%
1 st Following	25%
2 nd Following	50%

RESOLUTION NO. 2010-115

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER OR ELECTRIC UTILITY DIRECTOR TO
CLOSE ENERGY POSITIONS IN ACCORDANCE WITH THE
CITY OF LODI ENERGY RISK MANAGEMENT POLICIES AND
APPROVAL OF THE ENERGY RISK OVERSIGHT COMMITTEE

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WHEREAS, the City of Lodi must buy electricity and fuel to meet its customers' needs for electricity; and

WHEREAS, it is expected that Lodi's purchases under this Resolution could occur in various amounts and timeframes; and

WHEREAS, Lodi's purchases under this Resolution will conform to the accepted transaction types and other provisions of the City of Lodi Energy Risk Management Policies, adopted on January 18, 2006, by City Council Resolution No. 2006-19.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager or the Electric Utility Director to enter into contractual arrangements for electric energy and capacity and fuel and related services to reduce Lodi Electric Utility's open position to meet its service obligations in accordance with the City of Lodi Energy Risk Management Policies and the approval of the City of Lodi Energy Risk Oversight Committee; and

BE IT FURTHER RESOLVED that the Lodi City Council does hereby authorize the Electric Utility Director or her designee to administer any such contract.

Dated: July 7, 2010

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I hereby certify that Resolution No. 2010-115 was passed and adopted by the Lodi City Council in a regular meeting held July 7, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Mounce, and
Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Hitchcock

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk